

MARION COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

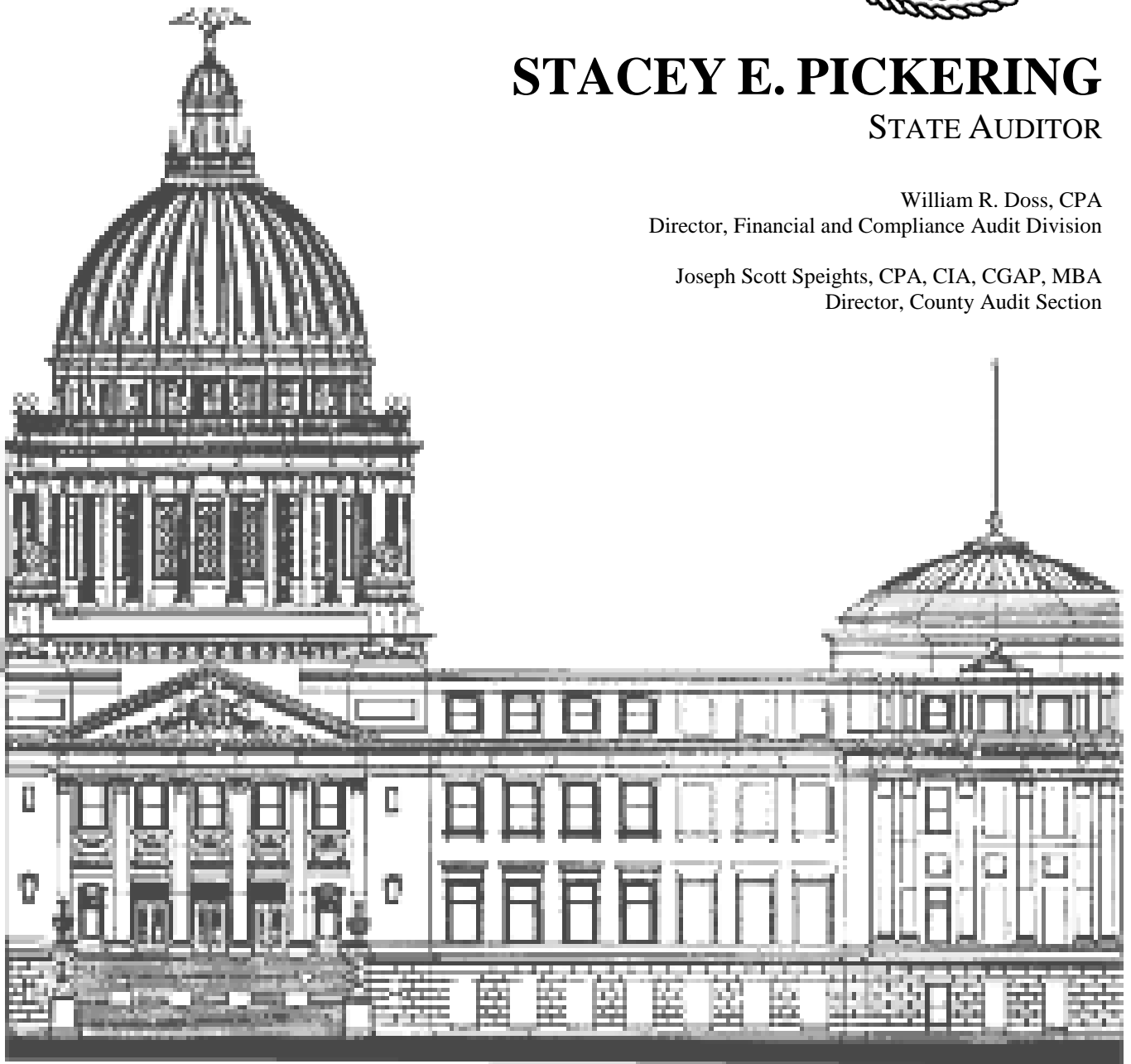


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

July 8, 2013

Members of the Board of Supervisors
Marion County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Marion County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Marion County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Marion County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

MARION COUNTY

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MARION COUNTY

FINANCIAL SECTION

MARION COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Marion County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi (the County), as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Marion County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2013, on our consideration of Marion County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Marion County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 8, 2013

MARION COUNTY

FINANCIAL STATEMENTS

MARION COUNTY

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MARION COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 2,924,412	381,854	3,306,266
Restricted assets - investments		1,715,476	1,715,476
Property tax receivable	8,012,158		8,012,158
Accounts receivable (net of allowance for uncollectibles of \$206,779)		439,404	439,404
Fines receivable (net of allowance for uncollectibles of \$1,939,599)	386,640		386,640
Intergovernmental receivables	152,915	657,211	810,126
Other receivables	14	83,989	84,003
Internal balances	48,494	(48,494)	
Deferred charges - bond issuance costs		175,444	175,444
Capital assets:			
Land	437,844	60,000	497,844
Other capital assets, net	28,832,977	7,572,042	36,405,019
Total Assets	<u>40,795,454</u>	<u>11,036,926</u>	<u>51,832,380</u>
LIABILITIES			
Claims payable	338,505	203,143	541,648
Intergovernmental payables	395,418		395,418
Accrued interest payable	80,669	35,490	116,159
Deferred revenue	8,012,158		8,012,158
Unearned revenue		110,166	110,166
Other payables	85,618		85,618
Long-term liabilities			
Due within one year:			
Capital debt	510,649	655,922	1,166,571
Non-capital debt	187,880		187,880
Due in more than one year:			
Capital debt	3,412,787	6,443,180	9,855,967
Non-capital debt	1,622,139		1,622,139
Total Liabilities	<u>14,645,823</u>	<u>7,447,901</u>	<u>22,093,724</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,347,385	532,940	25,880,325
Restricted:			
Expendable:			
General government	22,252		22,252
Public safety	615,764	2,379,499	2,995,263
Public works	509,132	439,711	948,843
Culture and recreation	105,806		105,806
Economic development	69,898		69,898
Debt service	467,145	236,875	704,020
Unemployment compensation	35,730		35,730
Unrestricted	(1,023,481)		(1,023,481)
Total Net Assets	<u>\$ 26,149,631</u>	<u>3,589,025</u>	<u>29,738,656</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,414,234	543,344	182,074		(3,688,816)		(3,688,816)
Public safety	3,530,112	442,513	186,141		(2,901,458)		(2,901,458)
Public works	2,851,826		815,518	1,343,847	(692,461)		(692,461)
Health and welfare	4,269,026		56,064		(4,212,962)		(4,212,962)
Culture and recreation	95,050				(95,050)		(95,050)
Conservation of natural resources	63,850				(63,850)		(63,850)
Economic development and assistance	392,368		49,828		(342,540)		(342,540)
Interest on long-term debt	155,466				(155,466)		(155,466)
Total Governmental Activities	<u>15,771,932</u>	<u>985,857</u>	<u>1,289,625</u>	<u>1,343,847</u>	<u>(12,152,603)</u>		<u>(12,152,603)</u>
Business-type activities:							
Marion/Walthall Correctional Facility	4,977,162	5,195,750				218,588	218,588
Marion County Women's Facility	978,882	899,648				(79,234)	(79,234)
Garbage and solid waste	914,935	799,567				(115,368)	(115,368)
Total Business-type Activities	<u>6,870,979</u>	<u>6,894,965</u>	<u>0</u>	<u>0</u>		<u>23,986</u>	<u>23,986</u>
Total Primary Government	<u>\$ 22,642,911</u>	<u>7,880,822</u>	<u>1,289,625</u>	<u>1,343,847</u>	<u>(12,152,603)</u>	<u>23,986</u>	<u>(12,128,617)</u>
General revenues:							
Property taxes					\$ 7,669,778	354,981	8,024,759
Road & bridge privilege taxes					297,030		297,030
Grants and contributions not restricted to specific programs					761,870	75,675	837,545
Unrestricted interest income					25,132	4,630	29,762
Miscellaneous					631,360	319,490	950,850
Special item (Note 15)					3,633,903		3,633,903
Transfers					156,180	(156,180)	0
Total General Revenues, Special Item, and Transfers					<u>13,175,253</u>	<u>598,596</u>	<u>13,773,849</u>
Changes in Net Assets					<u>1,022,650</u>	<u>622,582</u>	<u>1,645,232</u>
Net Assets - Beginning					<u>25,126,981</u>	<u>2,966,443</u>	<u>28,093,424</u>
Net Assets - Ending					<u>\$ 26,149,631</u>	<u>3,589,025</u>	<u>29,738,656</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>County Wide State Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,042,861	26,244	1,855,307	2,924,412
Property tax receivable	6,082,485		1,929,673	8,012,158
Fines receivable (net of allowance for uncollectibles of \$1,939,599)	386,640			386,640
Intergovernmental receivables	152,915			152,915
Other receivables	14			14
Due from other funds	68,836		129,451	198,287
Total Assets	<u>\$ 7,733,751</u>	<u>26,244</u>	<u>3,914,431</u>	<u>11,674,426</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 224,953		113,552	338,505
Intergovernmental payables	362,857			362,857
Due to other funds	182,354			182,354
Deferred revenue	6,469,125		1,929,673	8,398,798
Other payables	85,618			85,618
Total Liabilities	<u>7,324,907</u>	<u>0</u>	<u>2,043,225</u>	<u>9,368,132</u>
Fund balances:				
Restricted for:				
General government			22,252	22,252
Public safety			615,764	615,764
Public works		26,244	482,888	509,132
Culture and recreation			105,806	105,806
Economic development			69,898	69,898
Debt service			547,814	547,814
Unemployment compensation			35,730	35,730
Assigned to:				
General government	18,798			18,798
Unassigned	390,046		(8,946)	381,100
Total Fund Balances	<u>408,844</u>	<u>26,244</u>	<u>1,871,206</u>	<u>2,306,294</u>
Total Liabilities and Fund Balances	<u>\$ 7,733,751</u>	<u>26,244</u>	<u>3,914,431</u>	<u>11,674,426</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,306,294
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$58,589,624.	29,270,821
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	386,640
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,733,455)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(80,669)</u>
Total Net Assets - Governmental Activities	\$ <u><u>26,149,631</u></u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds		Other	Total
	General	County Wide	Governmental	Governmental
	Fund	State Aid	Funds	Funds
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 5,779,025		1,890,753	7,669,778
Road and bridge privilege taxes			297,030	297,030
Licenses, commissions and other revenue	414,647		8,283	422,930
Fines and forfeitures	269,037			269,037
Intergovernmental revenues	825,889	1,369,247	1,200,206	3,395,342
Charges for services	4,173		292,565	296,738
Interest income	13,820	150	11,162	25,132
Miscellaneous revenues	328,245		271,920	600,165
Total Revenues	<u>7,634,836</u>	<u>1,369,397</u>	<u>3,971,919</u>	<u>12,976,152</u>
EXPENDITURES				
Current:				
General government	4,074,185		269,698	4,343,883
Public safety	2,642,671		899,277	3,541,948
Public works	40,000	1,381,591	2,626,666	4,048,257
Health and welfare	3,572,186			3,572,186
Culture and recreation	95,050			95,050
Conservation of natural resources	63,850			63,850
Economic development and assistance	303,837		88,531	392,368
Debt service:				
Principal	231,443		573,838	805,281
Interest	99,682		21,442	121,124
Total Expenditures	<u>11,122,904</u>	<u>1,381,591</u>	<u>4,479,452</u>	<u>16,983,947</u>
Excess of Revenues over (under) Expenditures	<u>(3,488,068)</u>	<u>(12,194)</u>	<u>(507,533)</u>	<u>(4,007,795)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	3,231,200		559,292	3,790,492
Long-term non-capital debt issued			30,000	30,000
Proceeds from sale of capital assets	61,100		168,920	230,020
Transfers in	139,648		334,897	474,545
Transfers out	(293,715)		(24,650)	(318,365)
Total Other Financing Sources and Uses	<u>3,138,233</u>	<u>0</u>	<u>1,068,459</u>	<u>4,206,692</u>
Net Changes in Fund Balances	(349,835)	(12,194)	560,926	198,897
Fund Balances - Beginning	<u>758,679</u>	<u>38,438</u>	<u>1,310,280</u>	<u>2,107,397</u>
Fund Balances - Ending	<u>\$ 408,844</u>	<u>26,244</u>	<u>1,871,206</u>	<u>2,306,294</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 4-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditure and Changes
in Fund Balances to the Statement of Revenues
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 198,897
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,751,332 exceeded depreciation of \$1,310,256 in the current period.	441,076
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$31,195 and the proceeds from the sale of \$230,020 in the current period.	(198,825)
In the Statement of Activities, a special item of \$3,633,903 relating to the acquisition of the capital assets of Marion County General Hospital formerly, a component unit of Marion County, resulting from the leasing of the hospital is reported whereas in the Governmental Funds, the transaction is not reported.	3,633,903
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(2,848)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$3,820,492 exceeded debt repayments of \$805,281.	(3,015,211)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the change in accrued interest payable.	<u>(34,342)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,022,650</u></u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2012

Exhibit 5

Business-type Activities - Enterprise Funds				
Major Funds				
	Marion/Walthall Correctional Facility	Marion County Women's Facility	Garbage & Solid Waste	Total
ASSETS				
Current assets:				
Cash	\$	288,315	93,539	381,854
Restricted assets - investments	1,715,476			1,715,476
Accounts receivable (net of allowance for uncollectibles of \$206,779)			439,404	439,404
Intergovernmental receivables	278,816	378,395		657,211
Other receivables			83,989	83,989
Due from other funds	111,412	139,519	4,277	255,208
Total Current Assets	2,105,704	806,229	621,209	3,533,142
Noncurrent assets:				
Deferred charge - bond issuance costs	129,810	45,634		175,444
Capital assets:				
Land	60,000			60,000
Other capital assets, net	5,826,943	1,266,293	478,806	7,572,042
Total Noncurrent Assets	6,016,753	1,311,927	478,806	7,807,486
Total Assets	8,122,457	2,118,156	1,100,015	11,340,628
LIABILITIES				
Current liabilities:				
Claims payable	131,387	11,129	60,627	203,143
Due to other funds	189,388	105,091	9,223	303,702
Accrued interest payable	15,417	18,591	1,482	35,490
Unearned revenue			110,166	110,166
Capital debt:				
Capital leases payable			27,685	27,685
Other long-term liabilities	488,595	90,018	49,624	628,237
Total Current Liabilities	824,787	224,829	258,807	1,308,423
Noncurrent liabilities:				
Capital debt:				
Capital leases payable			57,862	57,862
Other long-term liabilities	4,795,218	1,460,161	129,939	6,385,318
Total Noncurrent Liabilities	4,795,218	1,460,161	187,801	6,443,180
NET ASSETS				
Invested in capital assets, net of related debt	603,130	(283,886)	213,696	532,940
Restricted for:				
Debt service		236,875		236,875
Public safety	1,899,322	480,177		2,379,499
Public works			439,711	439,711
Total Net Assets	\$ 2,502,452	433,166	653,407	3,589,025

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2012

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Marion/Walthall Correctional Facility	Marion County Women's Facility	Garbage & Solid Waste	Totals
Operating Revenues				
Charges for services	\$ 5,195,750	899,648	799,567	6,894,965
Miscellaneous	285,798	97	33,595	319,490
Total Operating Revenues	5,481,548	899,745	833,162	7,214,455
Operating Expenses				
Personal services	2,834,692	489,978	400,010	3,724,680
Contractual services	545,336	193,742	344,828	1,083,906
Materials and supplies	1,129,302	183,113	139,736	1,452,151
Depreciation expense	169,074	31,780	9,581	210,435
Indirect administrative cost	49,869	9,744	9,223	68,836
Total Operating Expenses	4,728,273	908,357	903,378	6,540,008
Operating Income (Loss)	753,275	(8,612)	(70,216)	674,447
Nonoperating Revenues (Expenses)				
Property tax	273,871		81,110	354,981
Interest income	764	3,107	759	4,630
Grants & contributions not restricted to specific program	52,211		23,464	75,675
Gain (loss) on sale of capital assets			(2,813)	(2,813)
Interest expense	(238,378)	(65,962)	(8,744)	(313,084)
Amortization of deferred charges - bond issuance costs	(10,511)	(4,563)		(15,074)
Net Nonoperating Revenue (Expenses)	77,957	(67,418)	93,776	104,315
Net Income (Loss) Before Transfers	831,232	(76,030)	23,560	778,762
Transfers in		107,125		107,125
Transfers out	(258,245)		(5,060)	(263,305)
Changes in Net Assets	572,987	31,095	18,500	622,582
Net Assets - Beginning	1,929,465	402,071	634,907	2,966,443
Net Assets - Ending	\$ 2,502,452	433,166	653,407	3,589,025

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2012

Exhibit 7

	Business-type Activities - Enterprise Funds			
	Marion/Walthall Correctional Facility	Marion County Women's Facility	Garbage & Solid Waste	Totals
Cash Flows From Operating Activities				
Receipts from customers	\$ 5,240,649	693,832	836,963	6,771,444
Payments to suppliers	(1,694,686)	(384,956)	(446,232)	(2,525,874)
Payments to employees	(2,834,143)	(394,631)	(400,010)	(3,628,784)
Other operating cash receipts	285,798	97	9,033	294,928
Net Cash Provided (Used) by Operating Activities	997,618	(85,658)	(246)	911,714
Cash Flows From Noncapital Financing Activities				
Intergovernmental grants received	52,211		23,464	75,675
Cash received from property taxes	257,806		81,231	339,037
Cash received from other funds:				
Operating transfers in		107,125		107,125
Interfund loan received	139,519			139,519
Cash paid to other funds:				
Operating transfers out	(258,245)		(5,060)	(263,305)
Loans made to other funds		(139,519)		(139,519)
Interfund loan repayments	(103,340)	(18,053)	(22,223)	(143,616)
Net Cash Provided (Used) by Noncapital Financing Activities	87,951	(50,447)	77,412	114,916
Cash Flows From Capital and Related Financing Activities				
Proceeds of long-term debt		1,505,000		1,505,000
Acquisition and construction of capital assets	(9,300)			(9,300)
Principal paid on long-term debt	(490,000)	(1,490,000)	(74,904)	(2,054,904)
Interest paid on debt	(223,715)	(105,908)	(9,210)	(338,833)
Payment to qualified obligation refunding trustee		(46,989)		(46,989)
Net Cash Provided (Used) by Capital and Related Financing Activities	(723,015)	(137,897)	(84,114)	(945,026)
Cash Flows From Investing Activities				
Interest on deposits	764	3,107	759	4,630
Net Cash Provided (Used) by Investing Activities	764	3,107	759	4,630
Net Increase (Decrease) in Cash and Cash Equivalents	363,318	(270,895)	(6,189)	86,234
Cash and Cash Equivalents at Beginning of Year	1,352,158	559,210	99,728	2,011,096
Cash and Cash Equivalents at End of Year	\$ 1,715,476	288,315	93,539	2,097,330
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 753,275	(8,612)	(70,216)	674,447
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	169,074	31,780	9,581	210,435
Provision for uncollectible accounts			(39,998)	(39,998)
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable			124,996	124,996
(Increase) decrease in intergovernmental receivables	140,247	(205,816)		(65,569)
(Increase) decrease in interfund receivables	(95,347)			(95,347)
(Increase) decrease in other receivables			(52,280)	(52,280)
Increase (decrease) in claims payable	(19,500)	(8,101)	38,332	10,731
Increase (decrease) in unearned revenue			(19,884)	(19,884)
Increase (decrease) in interfund payables	49,869	105,091	9,223	164,183
Total Adjustments	244,343	(77,046)	69,970	237,267
Net Cash Provided (Used) by Operating Activities	\$ 997,618	(85,658)	(246)	911,714

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 8

		Agency Funds
ASSETS		
Cash	\$	38,671
Due from other funds		32,561
Other receivables		7,696
Total Assets	\$	<u>78,928</u>
LIABILITIES		
Intergovernmental payables	\$	<u>78,928</u>
Total Liabilities	\$	<u>78,928</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Marion County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Marion County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Tri-Community Fire District
- Southwest Marion Fire District
- South Marion Fire District
- Pineburr Fire District
- Foxworth Fire District
- Morgantown Fire District
- Marion County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues-and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities-and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities-and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide State Aid Fund - This fund is used to account for monies from specific revenue sources that are restricted for road construction and maintenance.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

The county reports the following major Enterprise Funds:

Marion/Walthall Correctional Facility Fund – This fund is used to account for the county’s activities of the men’s correctional facility.

Marion County Women’s Facility Fund – This fund is used to account for the county’s activities of the women’s correctional facility.

Garbage and Solid Waste Fund – This fund is used to account for the county’s activities of the disposal of garbage and solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and-payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Restricted Assets.

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the county's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "excess revenue" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. The "general" account is used to accumulate funds to pay the principal and interest payments due on the county's enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards require governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the debt. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the debt. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the debt.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972).

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(2) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2012, was \$3,344,937, and the bank balance was \$3,915,949. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Marion/Walshall Correctional Facility.

Investments balances at September 30, 2012, are as follows:

<u>Investment Type</u>	<u>Maturities</u>		<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$	1,715,476	AAAm

The investment in the Hancock Horizon Treasury Securities Money Market Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the county.

Concentration of Credit Risk. The county places no limit on the amount the county may invest in any one issuer. All of the county's investments are in the Hancock Horizon Treasury Securities Money Market Mutual Fund and are reported in the Marion/Walthall Correctional Facility Fund.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Marion/Walthall Correctional Facility	\$ 49,869
General Fund	Marion County Women's Facility	9,744
General Fund	Garbage and Solid Waste Fund	9,223
Other Governmental Funds	General Fund	129,451
Marion/Walthall Correctional Facility Fund	General Fund	16,065
Marion/Walthall Correctional Facility Fund	Marion County Women's Facility Fund	95,347
Marion County Women's Facility Fund	Marion/Walthall Correctional Facility Fund	139,519
Garbage & Solid Waste Fund	General Fund	4,277
Agency Fund	General Fund	32,561
Total		\$ 486,056

The General Fund receivable from the Marion/Walthall Correctional Facility, Marion County Women's Facility and Garbage and Solid Waste represents the indirect cost incurred during the year. The Other Governmental Funds, Marion/Walthall Correctional Facility, Garbage and Solid Waste Fund and Agency Funds receivables from the General Fund represent the tax revenue collected but not settled until October 2012. The Marion County Women's Facility receivable from the Marion/Walthall Correctional Facility represents amounts spent in excess of revenues for the year. All interfund balances are expected to be repaid within one year from the date of financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Marion/Walthall Correctional Facility Fund	\$ 139,648
Other Governmental Funds	General Fund	293,715
Other Governmental Funds	Other Governmental Funds	24,650
Other Governmental Funds	Marion/Walthall Correctional Facility Fund	11,472
Other Governmental Funds	Garbage and Solid Waste Fund	5,060
Marion County Women's Facility Fund	Marion/Walthall Correctional Facility Fund	107,125
Total		\$ 581,670

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 119,162
DUI Grant	33,753
Total Governmental Activities	\$ 152,915
Business-type Activities:	
Reimbursement for housing prisoners	\$ 657,211

(5) Restricted Assets.

The balances of the restricted asset accounts in the enterprise funds are as follows:

Revenue fund	\$ 417,987
General account	275,420
Debt service reserve fund	356,211
Excess revenue fund	153,461
Depreciation and operating reserve fund	512,397
Total restricted assets	\$ 1,715,476

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Non-depreciable capital assets:					
Land	\$ 397,599		6,000	46,245	437,844
Total non-depreciable capital assets	397,599	0	6,000	46,245	437,844
Depreciable capital assets:					
Infrastructure	63,622,084	1,250,000		336,589	65,208,673
Buildings	4,119,902		106,749	3,522,019	7,535,172
Improvements other than buildings	88,395				88,395
Mobile equipment	3,816,901	306,005	196,967	109,743	4,035,682
Furniture and equipment	853,384	29,000		8,786,072	9,668,456
Leased property under capital leases	1,023,569	166,327	203,378	(100,295)	886,223
Total depreciable capital assets	73,524,235	1,751,332	507,094	12,654,128	87,422,601
Less accumulated depreciation for:					
Infrastructure	42,585,135	178,103		329,994	43,093,232
Buildings	1,986,236	177,012	85,399	1,771,145	3,848,994
Improvements other than buildings	35,370	3,537			38,907
Mobile equipment	2,848,362	237,382	173,958	63,723	2,975,509

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
Furniture and equipment	700,672	652,841		6,955,883	8,309,396
Leased property under capital leases	371,392	61,381	54,912	(54,275)	323,586
Total accumulated depreciation	48,527,167	1,310,256	314,269	9,066,470	58,589,624
Total depreciable capital assets, net	24,997,068	441,076	192,825	3,587,658	28,832,977
Governmental activities capital assets, net	\$ 25,394,667	441,076	198,825	3,633,903	29,270,821
Business-type activities:					
	Balance Oct. 1, 2011	Additions	Deletions	Adjustments	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 60,000				60,000
Total non-depreciable capital assets	60,000	0	0	0	60,000
<u>Depreciable capital assets:</u>					
Buildings	9,130,650				9,130,650
Mobile equipment	527,742		28,130		499,612
Furniture and equipment	142,689	9,300			151,989
Leased property under capital leases	112,434				112,434
Total depreciable capital assets	9,913,515	9,300	28,130	0	9,894,685
<u>Less accumulated depreciation for:</u>					
Buildings	1,553,087	182,616			1,735,703
Mobile equipment	448,970	10,106	25,317		433,759
Furniture and equipment	115,229	17,712			132,941
Leased property under capital leases	20,239	1			20,240
Total accumulated depreciation	2,137,525	210,435	25,317	0	2,322,643
Total depreciable capital assets, net	7,775,990	(201,135)	2,813	0	7,572,042
Business-type activities capital assets, net	\$ 7,835,990	(201,135)	2,813	0	7,632,042

* Adjustments are the reclassification of paid out capital leases from leased property under capital leases to mobile equipment and the recording of capital assets and related accumulated depreciation of the Marion County General Hospital as a result of the hospital being leased.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 70,351
Public safety	149,619
Public works	393,446
Health and welfare	696,840
	<u>1,310,256</u>
Total governmental activities depreciation expense	\$ <u>1,310,256</u>
Business-type activities:	
Marion/Walthall Correctional Facility Fund	\$ 169,074
Marion County Women's Facility Fund	31,780
Garbage and Solid Waste Fund	9,581
	<u>210,435</u>
Total business-type activities depreciation expense	\$ <u>210,435</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 886,223	112,434
Less: Accumulated depreciation	<u>323,586</u>	<u>20,240</u>
Leased Property Under Capital Leases	\$ <u>562,637</u>	<u>92,194</u>

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 169,240	14,085	27,685	2,541
2014	230,740	8,212	28,508	1,718
2015	79,819	3,170	29,354	872
2016	44,638	1,171		
2017	<u>16,077</u>	<u>143</u>		
Total	\$ <u>540,514</u>	<u>26,781</u>	<u>85,547</u>	<u>5,131</u>

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(9) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Industrial development bonds	\$ 1,665,000	4.75 – 5.40%	09/2024
Hospital refinancing bonds	3,150,000	3.22%	11/2021
Total General Obligation Bonds	\$ 4,815,000		
B. Equipment Notes:			
District 1 Road Equipment Note	\$ 86,250	2.70%	12/2015
District 2 Road Equipment Note	25,937	3.50%	12/2014
District 2 Road Equipment Note	40,420	3.49%	12/2014
District 3 Road Equipment Note	40,420	3.49%	12/2014
District 5 Road Equipment Note	39,895	3.50%	12/2014
Total Equipment Notes	\$ 232,922		
C. Capital Leases:			
Computer Equipment	\$ 17,479	3.49%	04/2013
District 5 Caterpillar Motor Grader	137,864	3.39%	03/2014
District 4 2011 International Truck	45,731	3.05%	02/2016
District 5 New Holland Tractor w/Side Mower	15,237	2.49%	03/2013
(3) Sheriff Vehicles	68,146	2.88%	11/2014
District 1 Bush Hog	7,097	2.69%	11/2012
District 4 Bobcat Excavator w/Shredding Head	63,191	2.54%	12/2014
District 4 Volvo Motor Grader	136,269	3.04%	03/2017
District 1 Caterpillar Motor Grader	49,500	3.20%	12/2015
Total Capital Leases	\$ 540,514		
D. Other Loans:			
Energy Services Agreement	\$ 115,019	4.35%	06/2014
District 5 Note	30,000	2.50%	03/2013
Total Other Loans	\$ 145,019		
Business-type Activities:			
A. General Obligation Bonds:			
General Obligation Bonds, Series 2009 -	\$ 2,810,000	4.00–4.70%	09/2024
Marion/Walshall Correctional Facility	1,505,000	1.50-2.65%	03/2023
Series 2012 jail refunding bonds			
Total General Obligation Bonds	\$ 4,315,000		
B. Limited Obligation Bonds:			
Economic development – Women’s Facility	\$ 95,000	3.62-4.50%	03/2013
Urban renewal revenue refunding bonds –			
Marion/Walshall Correctional Facility	2,550,000	2.50-4.00%	02/2018
Total Limited Obligation Bonds	\$ 2,645,000		

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
2012 International Truck	\$ <u>85,547</u>	2.97%	03/2015
D. Other Loans:			
Hayles Trucking loan	\$ <u>179,563</u>	5.00%	02/2016

Pledge of Future Revenues - The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$3,555,000 in limited obligation urban renewal revenue bonds issued in 2009. Proceeds from the bonds refunded \$3,585,000 of limited obligation Urban Renewal Revenue bonds issued in 1998 which provided financing for the construction of the Marion/Walthall Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through 2018. Annual principal and interest payments on the bonds are expected to require less than 11% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,850,757. Principal and interest paid for the current year and total inmate housing net revenues were \$477,720 and \$5,195,750 respectively.

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2013	\$ 360,000	237,688
2014	380,000	170,511
2015	395,000	156,349
2016	410,000	141,512
2017	430,000	125,986
2018 – 2022	2,470,000	365,033
2023 – 2026	370,000	30,240
Total	\$ <u>4,815,000</u>	<u>1,227,319</u>

Year Ending September 30	Equipment Notes		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 81,409	6,102	87,880	3,865
2014	83,422	4,086	57,139	821
2015	55,359	1,297		
2016	12,732	172		
Total	\$ <u>232,922</u>	<u>11,657</u>	<u>145,019</u>	<u>4,686</u>

Marion County Taxable General Obligation Refunding Bond Series 2011

On October 20, 2011, Marion County issued \$3,150,000 of taxable general obligation refunding bonds to provide for the restructuring, prepayment and current refunding of certain equipment lease purchase debt incurred by the Marion County Hospital. On January 1, 2012, the Marion County Hospital was leased to Forrest General Hospital for a period not to exceed 20 years. The proceeds of this debt were paid to the Marion County Hospital for retirement of the lease related debt and are reflected as a Health and Welfare expenditure / expense in the Marion County financial statements. This debt will be retired from the proceeds of an annual special tax levy not to exceed

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

five (5) mills on the dollar upon all taxable property within the geographical limits of the Marion County. (See also Note 15.)

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 115,000	152,625	485,000	88,664
2014	225,000	146,893	405,000	73,707
2015	270,000	139,857	415,000	59,358
2016	275,000	132,307	430,000	44,247
2017	285,000	124,505	445,000	27,500
2018 – 2022	1,565,000	487,755	465,000	9,300
2023 – 2027	1,130,000	242,188		
2028 – 2032	450,000	31,960		
Total	\$ 4,315,000	1,458,090	2,645,000	302,776

Year Ending September 30	Other Loans	
	Principal	Interest
2013	\$ 49,624	8,001
2014	52,199	5,426
2015	54,907	2,703
2016	22,833	301
Total	\$ 179,563	16,431

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issue bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2012, the amount of outstanding debt was equal to 5.76% of the latest property assessments.

Advance Refunding – On March 22, 2012, the county issued \$1,505,000 in general obligation refunding bonds with an average interest rate of 2.06% to advance refund \$1,400,000 of the following outstanding bond issue:

Issue	Average Interest Rate	Outstanding Amount Refunded
Economic Development – Women’s Facility	3.96%	\$ 1,400,000

The Economic Development – Women’s Facility had an outstanding balance of \$1,495,000 at the time of refunding, but only \$1,400,000 of the bond was refunded, leaving a remaining principal balance of \$95,000, of which \$95,000 will be redeemed during fiscal year 2013.

The net proceeds of \$1,458,011.26 (after payment of \$50,196.84 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments over the next 11 years by almost \$91,853 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$86,806.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2012, \$3,072,718 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,760,000	3,150,000	95,000		4,815,000	360,000
Equipment notes	44,529	261,934	73,541		232,922	81,409
Capital leases	704,457	378,558	542,501		540,514	169,240
Other loans	209,258	30,000	94,239		145,019	87,880
Total	\$ 2,718,244	3,820,492	805,281	0	5,733,455	698,529
Business-type Activities:						
General obligation bonds	\$ 2,920,000	1,505,000	110,000		4,315,000	115,000
Limited obligation bonds	4,515,000		470,000	(1,400,000)	2,645,000	485,000
Less: deferred amounts						
On refunding	(133,107)	(58,011)	(24,290)		(166,828)	(24,290)
For premiums	40,515	3,208	2,903		40,820	2,903
Capital leases	112,434		26,887		85,547	27,685
Other loans	227,580		48,017		179,563	49,624
Total	\$ 7,682,422	1,450,197	633,517	(1,400,000)	7,099,102	655,922

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Economic Development Note Contingencies – The county issued a note payable to provide funds for constructing and improving infrastructure for the purpose of economic development. The notes are paid by the Marion County Economic Development District, a component unit of the county. However, the county remains contingently liable for the retirement of this note because the full faith, credit, and taxing power of the county is secondarily pledged in outstanding at September 30, 2012, is \$504,010.

(11) Related Organization.

The Marion County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Columbia-Marion County Airport Authority, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$40,000 for the airport's support in fiscal year 2012.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(12) Joint Ventures.

The county participates in the following joint venture:

Marion County is a participant with Jefferson Davis County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Marion County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$354,217 of maintenance and support of the college in fiscal year 2012.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Marion County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$55,000 for support of the district in fiscal 2012.

Southern Mississippi Planning and Development District operates in a district composed of the county of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The Marion County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$53,424 for support of the district in fiscal year 2012.

Pearl River Valley Opportunity, Inc. operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River, and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Marion County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry, and Wayne. The Marion County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$70,000 for support of the entity in fiscal year 2012.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The governing body is a 15 member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(14) Defined Benefit Pension Plan.

Plan Description. Marion County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$683,175, \$627,381, and \$631,659, respectively, equal to the required contributions for each year.

(15) Special Item.

On January 1, 2012, The Marion County General Hospital (Hospital) was leased to Forrest General Hospital for a period not to exceed 20 years. As a result of this lease, Marion County acquired the net value of the capital assets of the Hospital totaling \$3,633,903 and included these assets in the financial statements of Marion County.

(16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Marion County evaluated the activity of the county through July 8, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2012, the county issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
11/05/2012	3.00%	\$	715,000	Capital Improvements	General Fund Tax Revenue
11/08/2012	1.23%		10,000	Short Term Loan	District 5 Tax Revenue
11/09/2012	1.23%		750,000	Short Term Loan	General Fund Tax Revenue
11/14/2012	1.23%		20,000	Short Term Loan	District 4 Tax Revenue
11/28/2012	1.23%		20,000	Short Term Loan	District 4 Tax Revenue
02/06/2013	3.24%		168,827	Solid Waste Transfer Station	General Fund Tax Revenue

MARION COUNTY

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MARION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY

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MARION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,739,300	5,740,664	5,740,664	
Licenses, commissions and other revenue	318,000	407,008	407,008	
Fines and forfeitures	245,000	264,766	264,766	
Intergovernmental revenues	719,705	785,255	785,255	
Charges for services	75,000	10,370	10,370	
Interest income	31,200	14,255	14,255	
Miscellaneous revenues	216,500	442,155	442,155	
Total Revenues	<u>7,344,705</u>	<u>7,664,473</u>	<u>7,664,473</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,940,240	4,265,985	4,265,985	
Public safety	2,257,698	2,656,675	2,656,675	
Public works	40,000	40,000	40,000	
Health and welfare	388,356	422,859	422,859	
Culture and recreation	84,442	95,141	95,141	
Conservation of natural resources	73,389	64,148	64,148	
Economic development and assistance	497,366	489,980	489,980	
Debt service	130,735			
Total Expenditures	<u>7,412,226</u>	<u>8,034,788</u>	<u>8,034,788</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(67,521)</u>	<u>(370,315)</u>	<u>(370,315)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources		223,771	223,771	
Other financing uses	<u>(425,000)</u>	<u>(193,592)</u>	<u>(193,592)</u>	
Total Other Financing Sources and Uses	<u>(425,000)</u>	<u>30,179</u>	<u>30,179</u>	<u>0</u>
Net Change in Fund Balance	(492,521)	(340,136)	(340,136)	
Fund Balances - Beginning	514,000	434,091	434,091	
Fund Balances - Ending	<u>\$ 21,479</u>	<u>93,955</u>	<u>93,955</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide State Aid Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues		119,247	119,247	
Interest income		150	150	
Total Revenues	<u>0</u>	<u>119,397</u>	<u>119,397</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works		131,591	131,591	
Total Expenditures	<u>0</u>	<u>131,591</u>	<u>131,591</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(12,194)</u>	<u>(12,194)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources				
Other financing uses				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance		(12,194)	(12,194)	
Fund Balances - Beginning		38,438	38,438	
Fund Balances - Ending	<u>\$ 0</u>	<u>26,244</u>	<u>26,244</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARION COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Government Fund Types	
	General Fund	Countywide State Aid Fund
Budget (Cash Basis)	\$ (340,136)	(12,194)
Increase (Decrease)		
Net adjustments for revenue accruals	90,955	
Net adjustments for expenditure accruals	(26,595)	
Other reconciling items:		
Interfund loans made and repaid	(74,059)	
GAAP Basis	\$ <u>(349,835)</u>	<u>(12,194)</u>

MARION COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2012

D. Unbudgeted Funds.

The following fund was not budgeted for the year ended September 30, 2012:

Countywide State Aid Fund

The unbudgeted fund is in violation of state law. However, the county has no liability associated with the violation.

MARION COUNTY

OTHER INFORMATION

MARION COUNTY

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MARION COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond	Bond Number
Charles Randy Dyess	Supervisor District 1	Brierfield Insurance Company	\$100,000	60006995
Terry Broome	Supervisor District 2	Brierfield Insurance Company	\$100,000	60006990
Tony Morgan	Supervisor District 3	Brierfield Insurance Company	\$100,000	60006997
Raymon Rowell	Supervisor District 4	Brierfield Insurance Company	\$100,000	60007002
Calvin Newsom, Sr.	Supervisor District 5	Brierfield Insurance Company	\$100,000	60006998
Cass Barnes	Chancery Clerk	Brierfield Insurance Company	\$100,000	60006994
Cheryl Buckley	Purchase Clerk	Brierfield Insurance Company	\$75,000	60007008
Jan Ardis	Assistant Purchase Clerk	Brierfield Insurance Company	\$25,000	3002077
Linda Roberts	Assistant Purchase Clerk	Brierfield Insurance Company	\$25,000	3002336
Sharon Johnson	Receiving Clerk	Brierfield Insurance Company	\$75,000	60007007
Charles M. Bryant	Assistant Receiving Clerk	Brierfield Insurance Company	\$25,000	60007378
Debbie S. Ashley	Assistant Receiving Clerk	Brierfield Insurance Company	\$25,000	3002334
Willie Ray Sims	Assistant Receiving Clerk	Brierfield Insurance Company	\$10,000	3006036
Michael Gerald Price	Assistant Receiving Clerk	Brierfield Insurance Company	\$10,000	60007272
Henry Douglas Holmes	Assistant Receiving Clerk	Brierfield Insurance Company	\$10,000	3006610
Dennie Wayne Fairburn	Assistant Receiving Clerk	Brierfield Insurance Company	\$10,000	3006035
Lonnie Haynes	Assistant Receiving Clerk	Travelers	\$10,000	400SG9132
Susan Bridges	Inventory Control Clerk	Brierfield Insurance Company	\$75,000	3009702
Eugene Ryals	Constable	Brierfield Insurance Company	\$25,000	60007004
Paul A. Barber	Constable	Brierfield Insurance Company	\$25,000	60007011
Janette Nolan	Circuit Clerk	Brierfield Insurance Company	\$100,000	60006999
Berkley Hall	Sheriff	Brierfield Insurance Company	\$100,000	60006996
Sharon H. Whitfield	Justice Court Judge	Brierfield Insurance Company	\$50,000	3005917
Gwendolyn W. Broom	Justice Court Judge	Brierfield Insurance Company	\$50,000	3005918
Wynette Parkman	Justice Court Clerk	Brierfield Insurance Company	\$50,000	60007005
Kelli Suzanna McNabb	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000	60007552
Janet Echols Minor	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000	60005850
Renee Brown	Deputy Justice Court Clerk	Travelers	\$50,000	400SE4224
Sherry S. McGowan	Tax Collector-Assessor	Brierfield Insurance Company	\$100,000	60007642

MARION COUNTY

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MARION COUNTY

SPECIAL REPORTS

MARION COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Marion County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the county's basic financial statements and have issued our report thereon dated July 8, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marion County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 12-1, 12-2, and 12-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 12-2.

We also noted certain instances of noncompliance which we have reported to the management of Marion County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System, and Purchase Clerk Schedules and in the Limited Internal Control and Compliance Review Management Report dated July 8, 2013, included within this document.

Marion County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Marion County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss", with a stylized flourish at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 8, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Marion County, Mississippi

We have examined Marion County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Marion County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Marion County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Assistant Purchase Clerks were not properly bonded.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Assistant Purchase Clerk to execute a bond for \$50,000. The Assistant Purchase Clerks were not properly bonded. Without the proper amount of bond executed, limitations in the amount available for recovery could be imposed if a loss were to occur.

Recommendation

The Assistant Purchase Clerk should hold the proper amount of bond as defined in the state code.

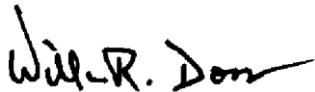
Board of Supervisors' Response

We were unaware, that the monetary amounts for the Assistant Purchase Clerks' bonds had changed. We have implemented new procedures within our office to assure we check the statutes every year at the renewal time to insure we are bonding them at the appropriate amounts. Therefore, we will comply with this code section in the future.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Marion County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Marion County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss".

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 8, 2013

MARION COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

Our test results did not identify any purchases from other than the lowest bidder.

MARION COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
01/03/2012	M5 software module with set-up and training	\$ 5,500	Delta Computer Systems, Inc.	Failure of software module necessary to operate the printer utilized by the County's AS400 computer system.

MARION COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

MARION COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marion County, Mississippi

In planning and performing our audit of the financial statements of Marion County, Mississippi for the year ended September 30, 2012, we considered Marion County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marion County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 8, 2013, on the financial statements of Marion County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Interfund transfers should be recorded in board minutes

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record to be maintained for the proceedings of the Board of Supervisors. As reported in the prior year audit report, interfund transfers were not spread upon the minutes. Failure to properly document authorizations for interfund transfers by the board could result in erroneous amounts being reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should ensure that all interfund transfers are spread on the board minutes.

Board of Supervisors' Response

We are aware of miscommunication within our office and we have made the appropriate changes so that this information will be fully spread upon our minutes in the future.

2. Constables were not properly bonded.

Finding

Section 19-19-3, Miss. Code Ann. (1972), requires every Constable to execute a bond for \$50,000. The Constables' were not properly bonded. Without the proper amount of bond executed, limitations in the amount available for recovery could be imposed if a loss were to occur.

Recommendation

The Constables should hold the proper amount of bond as defined in the state code.

Board of Supervisors' Response

We were unaware that the monetary amounts for the Constables' bond had changed. We have implemented new procedures within our office to assure we check the statutes every year at renewal time to insure we are bonding them at the appropriate amounts. Therefore, we will comply with this code section in the future.

3. The Sheriff's deputies were not properly bonded.

Finding

Section 45-5-9, Miss. Code Ann. (1972), requires every Sheriff's deputy hired under this section to execute a bond for \$50,000. The Sheriff's deputies were not properly bonded. Without the proper amount of bond executed, limitations in the amount available for recovery could be imposed if a loss were to occur.

Recommendation

The Sheriff's deputies should hold the proper amount of bond as defined in the state code.

Board of Supervisors' Response

We were unaware that the monetary amounts for the Sheriff's Deputies' bonds had changed. We have implemented new procedures within our office to assure we check the statutes every year at the renewal time to insure we are bonding them at the appropriate amounts. Therefore, we will comply with this code section in the future.

4. Forms for employing retired service employees should be properly completed.

Finding

Section 25-11-127, Miss. Code Ann. (1972), requires counties hiring service retirees to notify PERS in writing by completing Form 4B "Certification/Acknowledgement of Reemployment of Retiree" with PERS office. The form indicates the amount that will be earned during the employment period. During our review of these forms, we noted one instance in which the amount the employee was to earn was not entered on the form and in another instance an employee was being paid more than the amount noted on the Form 4B. Failure to keep completed forms and monitor the amounts paid to retirees could result in the Mississippi Public Employees Retirement System assessing a penalty against the County.

Recommendation

The payroll clerk should ensure the PERS Form 4B's are completed and monitor the amounts paid to retirees to ensure they are not paid more than allowed.

Board of Supervisors' Response

There was an oversight by our office, and we will comply fully with this code section in the future.

5. The county did not prepare a budget for the Countywide state aid fund.

Finding

Section 19-11-7, Miss. Code Ann. (1972), requires the County to prepare and submit to the Board of Supervisors at its August meeting of each year a complete budget of revenues, expenses, and a working cash balance estimated for the next fiscal year for each fund. The original budget for the fiscal year 2011-2012 did not include a budget of revenues, expenses and a working cash balance for the Countywide state aid fund. The failure to prepare a budget of revenues, expenses and a working cash balance for each fund could result in the misappropriation of public funds.

Recommendation

We recommend that the County prepare and submit to the Board of Supervisors each year a complete budget of revenues, expenses, and a working cash balance for all funds, as required by law.

Board of Supervisors' Response

We will comply. We did budget this fund for FY 2012-2013.

Tax Assessor/Collector.

6. One percent additional interest was not collected on payments after February 1st.

Finding

Section 27-41-9, Miss. Code Ann. (1972), states if any person fails to pay taxes levied and assessed against he or she when due, he or she is required to pay in addition to the taxes owed but also an additional 1% interest after February 1st. During the testing of mobile home and property tax receipts, it was noted that for thirteen out of fifteen receipts, there was no interest collected for payments made after February 1st. Failure to collect interest on property receipts could result in the loss or misappropriation of County funds.

Recommendation

The Tax Assessor/Collector's office should comply with the required law and collect interest on payments received after February 1st.

Tax Assessor/Collector's Response

The office will comply with Miss. Code Section 27-41-9.

7. The Tax Assessor/Collector is not properly settling mailed payments.

Finding

Section 27-29-11 and 25-1-107, Miss. Code Ann (1972), states the Tax Collector shall make reports in writing, verified by his affidavit, on the first day of each month or within twenty days and the postmark shall be considered the date of that payment. During the walkthrough of the Tax Collector/Assessor's office, it was noted that mail that had a January 2013 postmark was not settled until March 2013. Failure to settle collections in a timely manner could result in the loss or misappropriation of public funds.

Recommendation

We recommend the Tax Assessor/Collector's office comply with the required law.

Tax Assessor/Collector's Response

The office will comply with Miss. Code Section 27-9-11 and 25-1-107.

8. Car tags are being issued without first ensuring delinquent garbage bills have been paid.

Finding

Section 19-5-22, Miss. Code Ann. (1972), states a remedy for counties when taxpayers are delinquent in their garbage fees is to withhold the issuance of a car tag. The Marion County's Board of Supervisor's have elected to implement this state law into the County's policies and procedures. Each deputy clerk and the Tax Assessor/Collector were required to sign statements to adhere to this Code Section. During the walkthrough, review, and inquiry of the Tax Assessor/Collector's office, it was noted that a car tag was issued to a taxpayer without first ensuring that the delinquent garbage fees of \$1,734 were collected by the Solid Waste Department. Due to a release being made in the system in order to issue the car tag, the Solid Waste Department was not able to collect the delinquent garbage fees. Failure to follow the state law that was implemented into the County's policies and procedures could result in the loss or misappropriation of public funds.

Recommendation

The Tax Collector/Assessor office should comply with the Mississippi law that was implemented by the County.

Tax Assessor's/Collector Response

The office will better comply with Miss. Code Section 19-5-22.

9. 100% homestead exemption was given to a taxpayer that only had a 50% ownership in property

Finding

Mississippi Department of Revenue Homestead Rule (5) states that if property is deeded to a person within a life estate; however, part of the ownership belongs to another person. The person staying on the property is only eligible for 50% of the homestead exemption and not the full 100% exemption. During the walkthrough of the Tax Collector's office, it was noted that a taxpayer that only had a 50% ownership in a piece of property was given the full 100% homestead exemption. Failure to give the proper homestead exemption could result in the loss or misappropriation of public funds.

Recommendation

We recommend that the Tax Assessor/Collector comply with Homestead Rule (5) and ensure that taxpayers are receiving the correct homestead exemption amount.

Tax Assessor's/Collector Response

Closer attention shall be paid to how the Appraisal Department has the property listed and the deed to the property thereby complying with Homestead Rules.

10. Refunds should be made in a timely manner and with board approval.

Finding

Section 27-73-7, Miss. Code Ann. (1972), states the Tax Collector is authorized to refund any tax paid in error or paid in excess of the sum of taxes that are due. This refund should be made from the current settlement if this same source of funds does not exist. In order for the Tax Collector to make a refund, it must be approved and spread on the board minutes. During the walkthrough of the Tax Collector's office the following was noted:

- a. There were forty-seven unprocessed board approved refunds totaling a liability of \$22,335.85 owed to various taxpayers that dated back to March 2010.

- b. There was also a refund given to a taxpayer for \$290.47 because of homestead exemption qualification; however, board approval was not obtained before the refund was processed and given to the taxpayer.

Failure to properly refund money to taxpayers increases the liability of the Tax Collector's office and could result in the loss or misappropriation of public funds.

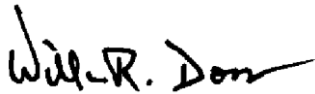
Recommendation

We recommend the Tax Collector comply with the required law.

Tax Assessor's/Collector Response

Currently, refunds shall be immediately processed. Future refunds will be processed in a short timely manner.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 8, 2013

MARION COUNTY

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MARION COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MARION COUNTY

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MARION COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Countywide State Aid Fund | Unqualified |
| | Marion/Walthall Correctional Facility Fund | Unqualified |
| | Marion County Women's Facility Fund | Unqualified |
| | Garbage and Solid Waste Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1. Discretely presented component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for the county's legally separate component units. As reported in the prior five years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

We will comply.

MARION COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

Board of Supervisors.

Material Weakness

Material Noncompliance

12-2. The County should establish controls to ensure that loans are made with appropriate legal authority.

Finding

An effective system of internal control over debt should include steps to ensure that loans are made with the appropriate legal authority as reported in the prior year audit report. The Board of Supervisors of Marion County entered into a loan with a private trucking company as a part of a contract for the costs of construction and operation of the solid waste transfer station in Foxworth, Mississippi. The process through which this loan was established is not one that is authorized by statute. The failure to enter into a loan with proper authorization could result in higher borrowing costs to the county, and the nature in which this transaction was executed may exclude potential interested parties from bidding on such contracts.

Recommendation

The Board of Supervisors should implement a system of internal control over debt to ensure that all new debt issuances are properly authorized by state statute. The portion of the existing contract with the private trucking company involving the repayment of the construction costs should be amended and removed. The County should pay the amount borrowed for construction or borrow the funds through other alternative legal means.

Board of Supervisors' Response

We have complied with this finding during fiscal year 2013-2014 by borrowing funds to pay off the loan included in the monthly billing with the vendor.

Tax Assessor/Collector.

Material Weakness

12-3. The Tax Assessor/Collector should implement internal controls over the collection, deposit, and recording of revenue.

Finding

Management is responsible for establishing a proper internal control system to ensure a strong financial accountability for safeguarding assets and revenue. During our test of internal controls of the Tax Collector's office, we noted the following:

1. Deposits were not made daily for payments received by mail. There were \$2,555,922.84 in checks that had been received through the mail but had not been deposited.
2. Daily count sheets were not maintained after the deputy clerk counts the cash drawer that is reconciled to the daily collection report.
3. The Tax Collector is using the cash drawer of other deputy clerks to collect taxes.
4. Tax receipt collection dates were being changed and moved to different dates.
5. Tax collection receipts that are deleted are not accounted for in the deputy clerk's work after a deletion has occurred.
6. During the cash count performed on April 26, 2013, there was an unidentified cash shortage in the amount of \$15,965.61.

MARION COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2012

These weaknesses are due to inadequate controls surrounding the depositing of revenue collected from the mail, daily cash counts, deletion of tax receipts and the lack of more secure computer software controls in the Tax Collector's office. Inadequate controls surrounding the deposit of revenue and collections could result in the loss or misappropriation of assets and improper revenue recognition.

Recommendation

We recommend that all revenue collected within the Tax Collector's office be deposited daily, maintain daily cash count sheets, maintain all deleted tax receipts and implement more secure access to the computer software over the usage and collection of taxes.

Tax Assessor's/Collector Response

There shall be a diligent effort to improve internal controls. I and the bookkeeper will try harder to identify all monies.